

Michael R. Brown, Chairman  
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE  
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION  
BOARD OF TRUSTEES

DATE: APRIL 14, 2011

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

Michael R. Brown  
Steve Ostler  
Dave Ure  
Louis Cononelos  
Mike Mower

STAFF

Kevin S. Carter  
Dave Hebertson  
Tom Faddies  
Ron Carlson  
Doug Buchi  
John Andrews  
Kim Christy  
Lynda Belnap

OTHERS IN ATTENDANCE

Tyler Slack, Utah PTA  
Carl Boyington, UASSP  
Janet Cannon, Nominating Committee & Utah State Board of Education  
Margaret Bird, Utah State Office of Education  
Paula Plant, Utah State Office of Education  
Karen Rupp, Utah State Office of Education  
Tim Donaldson, Utah State Office of Education

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Chairman Brown called the meeting to order and welcomed Board members, Staff, and guests. He noted that Mr. Lofgren and Mr. Lambert are unable to be present at the meeting today.

1. Approval of Minutes

The Board approved the Board minutes of March 16, 2011.

Ure / Cononelos. Motion approved.

“I move we approve the Board minutes of March 16, 2011.”

Roll Call:

Mr. Ure - - yes	Mr. Ostler - - yes
Mr. Cononelos - - yes	Mr. Mower - - absent at vote
Mr. Brown - - yes	

2. Confirmation of Upcoming Meeting Dates

Director Carter gave the Board a draft itinerary for the May 11 tour to Washington County. Mr. Cononelos noted he had a conflict with the June 9 meeting. Without motion, the Board confirmed the following upcoming meeting dates:

May 11 - - tour of Washington County  
May 12 - - meeting in Salt Lake City  
June 9 - - Salt Lake City  
July - - no meeting  
August 18 - - Salt Lake City

3. Chairman's Report

a. Beneficiary Report

Ms. Bird recognized and introduced Janet Cannon, who is on the State Board of Education and is the chairman of the agency's Nominating Committee. She is the longest serving member on the Board of Education and one of the greatest supporters of Trust Lands.

Ms. Bird noted they have been doing some research into 20 western states regarding trust lands' issues. This is the first time this has been done since the lands were granted. Among the normal things, they have asked about grazing leasing programs, hunter access, commercial development, residential development, oil and gas, royalty rates, and any aspects that might be unique to their states, etc. This data should be helpful to us.

They have also asked what are their greatest challenges, threats, and opportunities. They have been doing some lists over the last several months to begin providing some of that information to the Board. This was funded by the Western States Land Commissioners Association (WSLCA), and they designed this according to the president of the WSLCA and the chairman of the Asset Management Committee.

Ms. Bird would like to know of any things the Board would like them to look at and get more information on from other states. Some of these states also have remaining in-lieu selection rights. They asked the question about what they are doing about making those selections. Most states have expressed that they are having difficulty with the federal government.

Ms. Bird asked the Board to let her know of any issues they would like incorporated into this research. She is giving some thought to asking other land boards also.

Ms. Bird invited Board members to attend the WSLCA summer meeting July 10-14 in Rapid City, South Dakota. Chairman Brown thanked Ms. Bird for this information and indicated he feels this will be helpful information.

3. Chairman's Report (cont'd)

b. Report From the Audit Committee

Chairman Brown noted the Audit Committee met after the last Board meeting. He asked Mr. Carlson to give the Board a report from that meeting.

Mr. Ron Carlson briefed the Board through a power-point presentation on what the committee had discussed:

- \* Lease Revenue compliance reporting
- \* Director's discretion

Director Carter stated his intention regarding revenue compliance audits is that, if there is a finding in excess of \$100,000, he would put it on the notice part of the agenda to give the Board notice. Mr. Ure asked how long of a period would that cover. Director Carter stated it would be for the period of the audit. Mr. Ure asked about auditing leases that change hands where the original operator owed royalty. Director Carter noted there isn't any threshold we wouldn't audit, but he would only report to the Board on those findings over \$100,000. He noted that sometimes the problem on some leases is lease management and not audit issues. Managers should be looking at lease revenue on a regular basis and seeing if the revenue is consistent. Chairman Brown asked if we audit lessees more often that have had previous problems with us. Mr. Carlson stated we do.

Mr. Cononelos asked for some clarification on audits. Is there a time frame set for those audits of companies who produce much of the royalty? Mr. Carlson stated he tries to audit on a three-to-four-year cycle. We would already have some indication of what the revenue should be.

Ms. Bird stated there was a situation in Oklahoma where an employee was depositing the check from one particular lease. What do we have in place to prevent that type of fraud? Mr. Carlson stated we have procedures in place that hopefully would avoid this. The procedure has been evaluated by the State auditors also, and we have refined this to their satisfaction. It was noted that the statute of limitations is seven years for audits. Ms. Bird asked if there is any reason we should ask for an exception to that for the Trust? Mr. Andrews stated the Supreme Court ruled that this would be in the legislature's power to exempt us from that statute. The Board generally felt they would need more information to determine this. Mr. Carlson stated the U. S. has gone back many years and has been able to collect. He noted there needs to be a great team effort between lease managers and auditors. Chairman Brown stated he feels it is worthwhile to have Staff look at the pros and cons of lengthening the statute of limitations. This will bring closure to the issue for the Board and the beneficiaries.

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3. Chairman's Report (cont'd)

b. Report From the Audit Committee (cont'd)

Mr. Carlson also addressed:

- \* Internal controls
  - \* Shift focus to matters internal
    - \* Collaborative approach
    - \* Goal: Eliminate all internal control weaknesses
    - \* Current task: evaluate data transfer to new database.
- \* State Auditor Oversight
  - \* Annual fraud questionnaire from State Auditor

4. Director's Report

a. Director's Update on Items

Director Carter showed the Board a video clip from a marking program called "The County Seat". They do programs on local and state issues. This runs Sunday morning on Channel 4 at 8:00 a.m. He showed the Board a commercial that has run on that program. We are looking now at some focused stories for this program later in the year.

Mr. Cononelos noted that this coming Sunday The County Seat with address wild lands. He asked if the Board could get a copy of that show.

Director Carter also briefed the Board on the following issues:

- \* Federal Register regarding the National Tree Marking Committee
- \* Utah PTA Reflections
- \* Personnel Action

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4. Director's Report (cont'd)

b. Discussion of Public Lands Issues

Chairman Brown noted that, because this issue will involve discussion of potential litigation, it will be done in closed session.

Mower / Cononelos. Unanimously approved.

“I move that we go into closed session for the discussion of potential litigation.”

Roll Call:

Mr. Ure - - yes	Mr. Ostler - - yes
Mr. Cononelos - - yes	Mr. Mower - - yes
Mr. Brown - - yes	

The Board went into closed session at 9:40 a.m. Those in attendance were Board members, Kevin Carter, John Andrews, Tim Donaldson, Margaret Bird, and Janet Cannon. The Board returned to open session at 10:26 a.m.

Ure / Ostler. Unanimously approved.

“I move that we return to open session.”

Roll Call:

Mr. Ure - - yes	Mr. Ostler - - yes
Mr. Cononelos - - yes	Mr. Mower - - yes
Mr. Brown - - yes	

5. Consent Calendar

- a. Other Business Arrangement - Non-Competitive Bituminous Sands-Asphaltic Sands Lease- - Asphalt Ridge Block, Uintah County, Utah- Vern Jones, Applicant

There were no comments on this item, so it is approved.

- b. Other Business Arrangement - Non-Competitive “Combined Hydrocarbon” Lease of Bituminous/Asphaltic Sands, Oil Shale and Oil and Gas - - Asphalt Ridge Block, Uintah County, Utah - - ConTherm, Applicant

There were no comments on this item, so it is approved.

- c. Last Sun Development Lease No. 746 Modification - - Proposed Amendment No. 3 - - Washington County, Utah

There were no comments on this item, so it is approved.

Notification:

- d. Notification of Appeal of Final Agency Action and Withdrawal of Appeal - - Deseret Generation & Transmission Cooperative - Right of Way No. 2261

This was for notification to the Board. There were no comments.

Upon motion by Mr. Ostler, seconded by Mr. Ure, the meeting adjourned at 10:28 a.m.